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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

ORIGINAL FILE

In the Matter of)
)
1992 Annual Access Tariff Filings) CC Docket No. 92-141

PETITION FOR PARTIAL RECONSIDERATION

U S WEST Communications, Inc. ("U S WEST"),[1] through counsel and pursuant to Section 1.106 of the Federal Communications Commission's ("Commission") rules,[2] hereby seeks partial reconsideration of the Common Carrier Bureau's ("Bureau") 1992 Annual Access Charge Order.[3] In this Petition, U S WEST seeks reconsideration of the Bureau's findings on allocation of any available amounts for sharing under price cap regulation.

I. INTRODUCTION

Under price cap regulation, local exchange carriers ("LEC") are required to apportion sharing amounts and other exogenous cost changes on a cost-causative basis.[4] In adopting this requirement, the Commission did not specify a particular method

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[1]U S WEST is a common carrier provider of exchange access and exchange telecommunications services.

[2]47 C.F.R. § 1.106.

[3]1992 Annual Access Tariff Filings; National Exchange Carrier Association; Universal Service Fund and Lifeline Assistance Rates; CC Docket No. 92-141, Transmittal No. 495, DA 92-841, Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation, rel. June 22, 1992 ("1992 Annual Access Charge Order").

[4]47 C.F.R. § 61.45(d)(4).

for reflecting cost causation.[5] In its 1992 Annual Access Charge Order, the Bureau required LECs to allocate sharing adjustments to all price cap baskets "based on the proportion of total revenue in each basket to total interstate revenue."[6] The Bureau's logic in adopting this more restrictive requirement was that it more closely comports with the Commission's price cap goals than an earnings-based allocator.[7] U S WEST does not disagree with the Bureau's conclusion on the use of a revenue-based allocator versus an earnings-based allocator for apportioning sharing amounts. However, U S WEST believes that the adoption of a single methodology represents an unreasonably narrow interpretation of the Commission's cost-causation requirement.[8] The Commission did not find it necessary "to specify a particular method of reflecting 'cost causation'" in its Price Cap Recon. Order[9] and the Bureau should not do so in the instant tariff proceeding.

U S WEST believes that there are other cost-causative approaches to sharing which are even more supportive of the Commission's price cap goals of moving away from cost-plus

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[5]Policy and Rules Concerning Rates for Dominant Carriers, Order on Reconsideration, 6 FCC Rcd. 2637, 2689 ¶ 113 (1991) ("Price Cap Recon. Order"), pet. for rev. pending sub nom. Nat. Rural Telecom Assoc. v. F.C.C., No. 91-1300 (D.C. Cir. filed June 26, 1991).

[6]1992 Annual Access Charge Order at ¶ 5.

[7]Id.

[8]47 C.F.R. § 61.45(d)(4).

[9]Price Cap Recon. Order, 6 FCC Rcd. at 2689 ¶ 113.

regulation and encouraging greater efficiency. One such method is to allow LECs to apply sharing amounts to reduce any current or future amortizations before exogenous costs associated with these amortizations are flowed through to rates. At a minimum, the Commission should allow LECs to employ this method for apportioning sharing amounts in addition to using a revenue-based allocator.

II. THE PUBLIC INTEREST WOULD BE SERVED IF LECS ARE ALLOWED TO "BUY DOWN" AMORTIZATIONS

Currently, sharing results in a one time downward adjustment to LEC rates that expires at the end of the tariff year. These sharing amounts could be transformed into permanent reductions if LECs are allowed to apply sharing amounts to reducing any current or future amortizations.[10] This is the equivalent to "buying down" the principle on a mortgage. Access charges would be lower on a going-forward basis as exogenous costs associated with particular amortizations are flowed through to rates.

The fact that existing amortizations (e.g., reserve deficiency amortizations ("RDA"), Inside Wire, etc.) are scheduled to be completed in the near future should not deter the Commission from allowing LECs to employ such a methodology for apportioning sharing amounts. It is inevitable that there will

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[10] In effect, a LEC would be using sharing amounts to cover costs associated with an amortization which would lead to a permanent reduction in rates at the end of the amortization period.

be future amortizations for price cap LECs. Ongoing discussions about the high level of embedded LEC costs versus direct costs are clear indications that future amortizations will be necessary. Perhaps the best example of the need for a future amortization is found in the Commission's local transport ("common/dedicated") proceeding.[11] In that proceeding, the Commission proposed a three-part rate structure, including common transport, dedicated transport and a residual interconnection charge ("RIC"). All parties agreed that there are many costs assigned to local transport, which either should be assigned elsewhere or amortized.

If the Commission adopts its proposed three-part local transport structure, as is expected, it is inevitable that a large share of the costs currently assigned to local transport will be assigned to the RIC. The Commission will be unable to achieve its competitive goals if the RIC charge is not reduced over time. U S WEST believes that the best way to accomplish this is to identify those costs included in the RIC that should be amortized and establish an appropriate amortization period. If LECs are permitted to apply any sharing amounts to reducing the RIC amortization, the public interest would be served by permanently reducing rates while at the same time allowing LECs to recover their costs.

[11] MTS and WATS Market Structure; Transport Rate Structure and Pricing, Order and Further Notice of Proposed Rulemaking, 6 FCC Rcd. 5341 (1991) ("Transport Order and Further Notice").

III. THE COMMISSION'S COMPETITIVE GOALS WOULD BE SERVED IF LECS ARE ALLOWED TO APPLY ANY SHARING AMOUNTS TO REDUCING OUTSTANDING AMORTIZATIONS

One of the Commission's primary goals in the local transport proceeding,[12] expanded interconnection proceeding[13] and other proceedings, is that of encouraging interstate access competition. The problem that LECs face in responding to current competition and preparing themselves for future competition is that past regulatory decisions still have a great impact on current LEC costs. Past decisions affecting cost assignments, separations, service lives and depreciation rates, among other things, continue to have a disproportionate impact on LEC service costs. It is inevitable that some of these costs must be permanently removed from LEC "rate bases" if a competitive environment is going to be fostered without depriving LECs of an opportunity to recover costs lawfully incurred in the fulfillment of their common carrier obligations. The transition to a competitive environment can be smoothed if LECs are allowed to apply sharing amounts to reducing outstanding or future amortizations. This would allow LECs to price their services more competitively and would assist the Commission in its goal of encouraging local access competition.

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[12] Id. at 5343 ¶ 11.

[13] Expanded Interconnection with Local Telephone Company Facilities, Notice of Proposed Rulemaking and Notice of Inquiry, 6 FCC Rcd. 3259 (1991), Erratum, 6 FCC Rcd. 4818 (1991).

IV. CONCLUSION

For the foregoing reasons, the Commission should modify the Bureau's finding on apportioning sharing amounts. In addition to using a revenue-based allocator, the Commission should allow LECs to apply any sharing amounts to reduce existing or future amortizations.

Respectfully submitted,

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July 22, 1992

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify on this 22nd day of July, 1992, that I have caused a copy of the foregoing **PETITION FOR PARTIAL RECONSIDERATION** to be served, via first class United States mail, postage prepaid, to the persons named on the attached service list.

Kelseau Powe, Jr.

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